



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

CITY OF LOUISVILLE, MISSISSIPPI

LOUISVILLE, MISSISSIPPI

AUDIT REPORT

SEPTEMBER 30, 2003

CITY OF LOUISVILLE, MISSISSIPPI
AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2003

Contents

	<u>Page</u>
General Purpose Financial Statements:	
Independent Auditors' Report on the General Purpose Financial Statements and Supplemental Information	1
Combined Balance Sheet – All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	6
Combined Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Governmental Funds	8
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings – All Proprietary Funds	10
Combined Statements of Cash Flows – All Proprietary Funds	12
Notes to Financial Statements	14
Supplemental Information:	
Schedule of Expenditures of Federal Awards	33
Combining Financial Statements:	
Governmental Funds:	
Combining Balance Sheet – General Funds	34
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – General Funds	35
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Funds	37
Proprietary Funds:	
Combining Balance Sheet – Enterprise Funds	39
Combining Statement of Revenues, Expenses and Changes in Retained Earnings – Enterprise Funds	41
Combining Statement of Cash Flows – Enterprise Funds	42
Other Supplemental Information:	
Schedule Reconciling Original Ad Valorem Tax Rolls to Fund Collections	44
Schedule of Surety Bonds for Elected Officials	45
Schedule of Bonded Indebtedness	46
Special Reports:	
Independent Auditors' Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of the General Purpose Financial Statements Performed in Accordance with Governmental Auditing Standards	48
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	50
Independent Auditors' Report on Compliance with State Laws and Regulations	52
Schedule of Findings	54

CITY OF LOUISVILLE, MISSISSIPPI

**INDEPENDENT AUDITORS' REPORT ON THE GENERAL PURPOSE FINANCIAL
STATEMENTS AND SUPPLEMENTAL INFORMATION**



Watkins, Ward and Stafford
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
Boyd M. Edwards, CPA
Paul A. Ray, CPA
S. Keith Winfield, CPA
William B. Stagg, CPA
Aubrey R. Holder, CPA
David M. Howell, CPA

Michael W. McCully, CPA
Mort Stroud, CPA
Gary C. Hamilton, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA

June 8, 2004

Honorable Mayor and Board of Aldermen
City of Louisville, Mississippi

We have audited the accompanying general-purpose financial statements of the City of Louisville, Mississippi, as of September 30, 2003, and for the year then ended. These general-purpose financial statements are the responsibility of the City of Louisville, Mississippi's, management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the three discretely presented component units; the Housing Authority of the City of Louisville, the Louisville Water System, and the Louisville Electric System, which represents 100% and 100%, respectively, of the assets and revenues of the governmental and proprietary component units columns. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, in so far as it relates to the amounts included for the aforementioned component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Louisville, Mississippi, at September 30, 2003, and the results of its operations (and cash flows of its proprietary fund types) for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 8, 2004, on our consideration of the City of Louisville, Mississippi's, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts or grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit and the audits of the other auditors were performed for the purpose of forming an opinion on the general-purpose financial statements of the City of Louisville, Mississippi, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements. The additional accompanying financial information listed as supplemental information in the table of contents is also presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Louisville, Mississippi
June 8, 2004

CITY OF LOUISVILLE, MISSISSIPPI
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30,2003

	Governmental Fund Types		Fiduciary Fund Types	Proprietary Fund Types	Account Groups		Total Memo Only					Total Memo Only
	General	Special Revenue	Trust and Agency Funds	Enterprise	General Fixed Assets	General Long-Term Debt	Primary Government	Housing Authority	Louisville Water System	Louisville Electric System	Reporting Entity	
Assets												
Cash (See Note 3)	\$ 1,166,898	\$ -	\$ 141,049	\$ 368,069	\$ -	\$ -	\$ 1,676,016	\$ 255,198	\$ 3,039,628	\$ 2,075,216	\$ 7,046,058	
Investments (See Note 4)	-	-	-	193,798	-	-	193,798	462,993	-	-	656,791	
Due from federal sources	-	-	-	-	-	-	-	-	-	-	-	
Due from state sources	116,336	-	-	-	-	-	116,336	-	-	-	116,336	
Due from local sources	62,477	-	-	-	-	-	62,477	-	-	-	62,477	
Due from other funds (See Note 6)	-	-	-	70,194	-	-	70,194	-	-	-	70,194	
Trade receivable - net of allowance for doubtful accounts (See Note 5)	-	-	-	100,288	-	-	100,288	164,630	369,544	1,698,015	2,332,477	
Rents receivable	-	-	-	-	-	-	-	-	-	20,299	20,299	
Notes receivable (See Notes 7 & 8)	1,317,807	227,671	-	-	-	-	1,545,478	-	-	-	1,545,478	
CSA stockholder loan	-	-	-	-	-	-	-	-	8,020	6,301	14,321	
Inventories	-	-	-	-	-	-	-	5,000	47,531	147,781	200,312	
Prepaid expenses	-	-	-	-	-	-	-	18,214	14,784	1,253,850	1,286,848	
Interest receivable	-	-	-	-	-	-	-	1,243	1,358	-	2,601	
Fixed assets - Net of accumulated depreciation in proprietary fund types (See Note 9)	-	-	-	712,395	4,555,131	-	5,267,526	3,533,992	6,697,409	8,253,634	23,752,561	
Amount to be provided for the retirement of long- term debt (See Note 10)	-	-	-	-	-	1,472,183	1,472,183	-	-	-	1,472,183	
Deferred charges	-	-	-	-	-	-	-	-	1,038	-	1,038	
Deposits	-	-	-	-	-	-	-	-	90	4,749	4,839	
Total Assets	<u>\$ 2,663,518</u>	<u>\$ 227,671</u>	<u>\$ 141,049</u>	<u>\$ 1,444,744</u>	<u>\$ 4,555,131</u>	<u>\$ 1,472,183</u>	<u>\$ 10,504,296</u>	<u>\$ 4,441,270</u>	<u>\$ 10,179,402</u>	<u>\$ 13,459,845</u>	<u>\$ 38,584,813</u>	

The accompanying notes are an integral part of these financial statements

CITY OF LOUISVILLE, MISSISSIPPI
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS(CONTINUED)
SEPTEMBER 30,2003

	Governmental Fund Types		Fiduciary Fund Types	Proprietary Fund Types	Account Groups		Total Memo Only				Total Memo Only
	General	Special Revenue	Trust and Agency Funds	Enterprise	General Fixed Assets	General Long-Term Debt	Primary Government	Housing Authority	Louisville Water System	Louisville Electric System	Reporting Entity
<u>Liabilities and Fund Equity</u>											
Liabilities:											
Accounts payable	\$ 278,984	\$ -	-	\$ 16,927	\$ -	\$ -	\$ 295,911	\$ 76,107	\$ 46,678	\$ 933,440	\$ 1,352,136
Retainage payable	-	-	-	-	-	-	-	91,563	-	-	91,563
Intergovernmental payables	12,994	-	-	-	-	-	12,994	-	-	-	12,994
Accrued liabilities	4,099	-	-	-	-	-	4,099	-	19,297	72,552	95,948
Due to other funds	70,194	-	-	-	-	-	70,194	-	-	-	70,194
Solid waste fee payable	-	-	-	11,297	-	-	11,297	-	-	-	11,297
Customer deposits	-	-	-	-	-	-	-	12,210	128,979	269,088	410,277
Amount held in custody for others	-	-	141,049	-	-	-	141,049	-	-	-	141,049
Accrued interest payable	-	-	-	-	-	-	-	-	2,588	-	2,588
Accrued compensated absences	-	-	-	-	-	-	-	2,622	-	-	2,622
Deferred revenue	-	-	-	-	-	-	-	67	-	-	67
Notes payable (See Note 10)	-	-	-	-	-	1,390,849	1,390,849	-	67,708	-	1,458,557
Bonds payable	-	-	-	-	-	-	-	-	69,000	-	69,000
Capital lease payable (See Note 10)	-	-	-	-	-	81,334	81,334	-	9,896	64,478	155,708
Other liabilities	-	-	-	-	-	-	-	35,972	9,336	320,529	365,837
Liability for closure/ post closure costs	-	-	-	357,043	-	-	357,043	-	-	-	357,043
Total Liabilities	<u>366,271</u>	<u>-</u>	<u>141,049</u>	<u>385,267</u>	<u>-</u>	<u>1,472,183</u>	<u>2,364,770</u>	<u>218,541</u>	<u>353,482</u>	<u>1,660,087</u>	<u>4,596,880</u>
<u>Fund Equity:</u>											
Contributed capital	-	-	-	696,992	-	-	696,992	-	-	-	696,992
Investment in general fixed assets	-	-	-	-	4,555,131	-	4,555,131	-	-	-	4,555,131
Contributions from federal grants	-	-	-	-	-	-	-	-	3,475,271	-	3,475,271
Cumulative HUD contri- butions	-	-	-	-	-	-	-	2,174,159	-	-	2,174,159
Reserved for debt service	1,317,807	-	-	-	-	-	1,317,807	-	-	-	1,317,807
Retained earnings											
Restricted for payment of closure/post-closure' costs	-	-	-	193,798	-	-	193,798	-	-	-	193,798
Unrestricted	-	-	-	168,687	-	-	168,687	-	6,350,649	11,799,758	18,319,094
Fund balances-											
Restricted	-	227,671	-	-	-	-	227,671	-	-	-	227,671
Unrestricted	979,440	-	-	-	-	-	979,440	2,048,570	-	-	3,028,010
Total Fund Equity	<u>2,297,247</u>	<u>227,671</u>	<u>-</u>	<u>1,059,477</u>	<u>4,555,131</u>	<u>-</u>	<u>8,139,526</u>	<u>4,222,729</u>	<u>9,825,920</u>	<u>11,799,758</u>	<u>33,987,933</u>
Total Liabilities and Fund Equity	<u>\$ 2,663,518</u>	<u>\$ 227,671</u>	<u>\$ 141,049</u>	<u>\$ 1,444,744</u>	<u>\$ 4,555,131</u>	<u>\$ 1,472,183</u>	<u>\$ 10,504,296</u>	<u>\$ 4,441,270</u>	<u>\$ 10,179,402</u>	<u>\$ 13,459,845</u>	<u>\$ 38,584,813</u>

The accompanying notes are an integral part of these financial statements

CITY OF LOUISVILLE, MISSISSIPPI
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	General	Special Revenue	Debt Service Fund	Total Memorandum Only- Primary Government	Component Unit- Housing Authority	Total Memorandum Only- Reporting Entity
Revenues:						
Taxes and special assessments	\$ 1,000,398	\$ -	\$ -	\$ 1,000,398	\$ -	\$ 1,000,398
Licenses and permits	22,126	-	-	22,126	-	22,126
Intergovernmental receipts	1,787,564	273,545	-	2,061,109	1,387,007	3,448,116
Charges for services	218,847	-	-	218,847	-	218,847
Fines and forfeitures	63,586	-	-	63,586	-	63,586
Rents	36,270	-	-	36,270	171,751	208,021
Interest	94,885	-	-	94,885	22,088	116,973
Miscellaneous	10,407	-	-	10,407	2,857	13,264
Sales of lots and memorials	40,743	-	-	40,743	-	40,743
Total Revenues	<u>3,274,826</u>	<u>273,545</u>	<u>-</u>	<u>3,548,371</u>	<u>1,583,703</u>	<u>5,132,074</u>
Expenditures:						
General government	520,330	-	-	520,330	588,597	1,108,927
Public Safety:						
Police	1,093,435	-	-	1,093,435	-	1,093,435
Fire	301,121	-	-	301,121	-	301,121
Public works	823,321	273,553	-	1,096,874	-	1,096,874
Culture and recreation	565,345	-	-	565,345	-	565,345
Garage	27,179	-	-	27,179	-	27,179
Debt Service:						
Principal	-	-	191,940	191,940	-	191,940
Interest	-	-	61,305	61,305	-	61,305
Miscellaneous	35,687	-	-	35,687	-	35,687
Total Expenditures	<u>3,366,418</u>	<u>273,553</u>	<u>253,245</u>	<u>3,893,216</u>	<u>588,597</u>	<u>4,481,813</u>
Excess of Revenues Over (Under) Expenditures	<u>(91,592)</u>	<u>(8)</u>	<u>(253,245)</u>	<u>(344,845)</u>	<u>995,106</u>	<u>650,261</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LOUISVILLE, MISSISSIPPI
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	General	Special Revenue	Debt Service Fund	Total Memorandum Only- Primary Government	Component Unit- Housing Authority	Total Memorandum Only- Reporting Entity
Other Financing Sources (Uses):						
Inception of capital leases	\$ 20,000	\$ -	\$ -	20,000	\$ -	\$ 20,000
Operating transfers in	-	-	253,245	253,245	-	253,245
Operating transfers out	(253,245)	-	-	(253,245)	-	(253,245)
Total Other Financing Sources (Uses)	(233,245)	-	253,245	20,000	-	20,000
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(324,837)	(8)	-	(324,845)	995,106	670,261
Fund Balance at October 1, 2002	2,679,226	227,679	-	2,906,905	3,180,342	6,087,247
Prior Period Adjustments Reclassify fund equity (See Note 13)	(57,142)	-	-	(57,142)	47,281	(9,861)
Fund Balance at October 1, 2002, as restated	2,622,084	227,679	-	2,849,763	3,227,623	6,077,386
Fund Balance at September 30, 2003	<u>\$ 2,297,247</u>	<u>\$ 227,671</u>	<u>\$ -</u>	<u>\$ 2,524,918</u>	<u>\$ 4,222,729</u>	<u>\$ 6,747,647</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LOUISVILLE, MISSISSIPPI
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,2003

	General Funds			Special Revenue Funds			Debt Service Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Taxes and special assessments	\$ 927,890	\$ 1,000,398	\$ 72,508	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	18,000	22,126	4,126	-	-	-	-	-	-
Intergovernmental receipts	2,611,618	1,787,564	(824,054)	342,000	273,545	(68,455)	-	-	-
Chargeable services	211,600	218,847	7,247	-	-	-	-	-	-
Fines and forfeitures	57,600	63,586	5,986	-	-	-	-	-	-
Rents	35,000	36,270	1,270	-	-	-	-	-	-
Interest	48,500	94,885	46,385	-	-	-	-	-	-
Memorials	10,200	10,407	207	-	-	-	-	-	-
Sales of lots and memorials	25,000	40,743	15,743	-	-	-	-	-	-
Total Revenues	3,945,408	3,274,826	(670,582)	342,000	273,545	(68,455)	-	-	-
Expenditures:									
General government	526,960	520,330	6,630	-	-	-	-	-	-
Public Safety:									
Police	1,203,178	1,093,435	109,743	-	-	-	-	-	-
Fire	342,300	301,121	41,179	-	-	-	-	-	-
Public works	1,758,205	823,321	934,884	342,000	273,553	68,447	-	-	-
Culture and recreation	681,510	565,345	116,165	-	-	-	-	-	-
Garage	29,056	27,179	1,877	-	-	-	-	-	-
Debt Service:									
Principal			-	-	-	-	32,094	191,940	(159,846)
Interest			-	-	-	-	-	61,305	(61,305)
Miscellaneous	41,395	35,687	5,708	-	-	-	-	-	-
Total Expenditures	4,582,604	3,366,418	1,216,186	342,000	273,553	68,447	32,094	253,245	(221,151)
Excess of Revenues Over (Under) Expenditures		(91,592)			(8)			(253,245)	

The accompanying notes are an integral part of these financial statements.

CITY OF LOUISVILLE, MISSISSIPPI
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GOVERNMENTAL FUNDS(CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,2003

	General Funds			Special Revenue Funds			Debt Service Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Other Financing Sources									
(Uses):									
Other financing sources	\$ 20,000	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ 32,094	\$ 253,245	\$ 221,151
Other financing uses	(32,094)	(253,245)	(221,151)	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(12,094)	(233,245)	(221,151)	-	-	-	32,094	253,245	221,151
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		(324,837)			(8)			-	
Fund Balance at October 1,2002		2,679,226			227,679			-	
Prior Period Adjustments									
Reclassify fund equity (See Note 13)		(57,142)			-			-	
Fund Balance at October 1,2002, as restated		2,622,084			227,679			-	
Fund Balance at September 30,2003		\$ 2,297,247			\$ 227,671			\$ -	

The accompanying notes are an integral part of these financial statements.

CITY OF LOUISVILLE, MISSISSIPPI
COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,2003

	Primary Government Enterprise Funds	Component Units		Total Memo Only Reporting Entity
		Louisville Water System	Louisville Electric System	
<u>Operating Revenues:</u>				
Charges for services	\$ 621,325	\$ 2,084,767	\$ 10,333,420	\$ 13,039,512
Miscellaneous income	-	2,050	-	2,050
Total Operating Revenues	621,325	2,086,817	10,333,420	13,041,562
<u>Operating Expenses:</u>				
Salaries and employee benefits	101,582	-	-	101,582
Contractual services	218,879	-	-	218,879
Supplies	8,065	-	-	8,065
Gas and Oil	11,309	-	-	11,309
Utilities	59,104	-	-	59,104
Other services and charges	55,329	-	-	55,329
Depreciation	144,763	259,640	455,446	859,849
Interest	-	4,492	-	4,492
Closure/post closure expense	45,694	-	-	45,694
Bad debt expense	-	3,619	-	3,619
Cost of power	-	179,541	8,417,896	8,597,437
Distribution expense	-	281,451	159,438	440,889
Customer accounts expense	-	187,762	140,164	327,926
Customer service expense	-	-	3,500	3,500
Sales expense	-	-	20,350	20,350
Administrative & general expense	-	119,145	366,693	485,838
Maintenance expenses	-	363,036	212,707	575,743
Employee benefits-Component units	-	331,707	31,157	362,864
Taxes	-	-	192,747	192,747
Subtitle D operation expense	44,619	-	-	44,619
Total Operating Expenses	689,344	1,730,393	10,000,098	12,419,835
Operating Profit (Loss)	(68,019)	356,424	333,322	621,727
<u>Nonoperating Revenues (Expenses):</u>				
Interest Income	11,435	109,536	115,135	236,106
Rental Income	-	20,316	-	20,316
Other miscellaneous income	16,000	1,603	-	17,603
Miscellaneous expenses	-	-	(5,340)	(5,340)
Total Nonoperating Revenues (Expenses)	27,435	131,455	109,795	268,685
Income (Loss) Before Operating Transfers In (Out)	(40,584)	487,879	443,117	890,412

The accompanying notes are an integral part of these financial statements.

CITY OF LOUISVILLE, MISSISSIPPI
COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - ALL PROPRIETARY FUNDS(CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,2003

	Primary Government Enterprise Funds	Component Units		Total Memo Only Reporting Entity
		Louisville Water System	Louisville Electric System	
<u>Operating Transfers In (Out):</u>				
Total Operating Transfers In (Out)	\$ -	\$ -	\$ -	\$ -
Net Income (Loss)	(40,584)	487,879	443,117	890,412
Retained Earnings at October 1,2002	403,069	5,862,770	11,356,641	17,622,480
Retained Earnings (Deficit) at September 30,2003	<u>\$ 362,485</u>	<u>\$ 6,350,649</u>	<u>\$ 11,799,758</u>	<u>\$ 18,512,892</u>

The accompanying notes are an integral part of these financial statements.

CITY OF LOUISVILLE, MISSISSIPPI
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,2003

	Primary Government Enterprise Funds	Component Units		Total Memo Only Reporting Entity
		Louisville Water System	Louisville Electric System	
<u>Cash Flows from Operating</u>				
<u>Activities:</u>				
Operating income (loss)	\$ (68,019)	\$ 356,424	\$ 333,322	\$ 621,727
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	144,763	259,640	518,127	922,530
Amortization	-	135	-	135
Changes in Assets and Liabilities:				
Decrease (Increase) in receivables (net)	(4,339)	11,565	317,746	324,972
Decrease (Increase) in interest receivable	-	386	-	386
Decrease (Increase) in inventories	-	1,940	(15,214)	(13,274)
Decrease (Increase) in prepaid expenses	-	(160)	(1,248,508)	(1,248,668)
Increase (Decrease) in CSA stockholder loan	-	192	-	192
Increase (Decrease) in accounts payable	793	12,551	(38,636)	(25,292)
Increase (Decrease) in liability for closure/post closure costs	45,694	-	-	45,694
Increase (Decrease) in customer deposits	-	3,783	23,598	27,381
Increase (Decrease) in deferred credits	-	-	283,627	283,627
Increase (Decrease) other liabilities	-	(1,275)	2,078	803
Net Cash Provided (Used) by Operating Activities	<u>118,892</u>	<u>645,181</u>	<u>176,140</u>	<u>940,213</u>
<u>Cash Flows from Noncapital</u>				
<u>Financing Activities:</u>				
Contributions received from grantor agencies	16,000		-	16,000
Rental Income	-	20,316	-	20,316
Other miscellaneous income	-	1,603	-	1,603
Miscellaneous nonoperating expenses	-		(5,340)	(5,340)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>16,000</u>	<u>21,919</u>	<u>(5,340)</u>	<u>32,579</u>

CITY OF LOUISVILLE, MISSISSIPPI
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUNDS(CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,2003

	Primary Government Enterprise Funds	Component Units		Total Memo Only Reporting Entity
		Louisville Water System	Louisville Electric System	
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Purchases of fixed assets	\$ (46,040)	\$ (378,039)	\$ (566,392)	\$ (990,471)
Net change in other property and investment	-	-	122	122
Principal payments on capital lease payable	-	(9,397)	(24,758)	(34,155)
Principal payments on bonds payable	-	(21,000)	-	(21,000)
Principal payments in notes payable	-	(12,500)	-	(12,500)
Net Cash Provided (Used) by Capital and Related Financing Activities	(46,040)	(420,936)	(591,028)	(1,058,004)
<u>Cash Flows from Investing Activities:</u>				
Interest Revenue	11,435	109,536	115,135	236,106
Increase in investment in closure/post-closure trust accounts	(25,082)	-	-	(25,082)
Net Cash Provided (Used) by Investing Activities	(13,647)	109,536	115,135	211,024
<u>Net Increase (Decrease) in Cash</u>	\$ 75,205	\$ 355,700	\$ (305,093)	\$ 125,812
<u>Cash at Beginning of Year</u>	292,864	2,683,928	2,380,309	5,357,101
<u>Cash at End of Year</u>	\$ 368,069	\$ 3,039,628	\$ 2,075,216	\$ 5,482,913
<u>Supplemental Cash Flow Information:</u>				
Cash paid out during the year for interest	\$ -	\$ 4,492	\$ 2,019	\$ 6,511
<u>Supplemental Disclosure of Noncash Capital And Related Financing Activities:</u>				
Fixed assets acquired under capital leases	\$ -	\$ -	\$ 81,853	\$ 81,853

The accompanying notes are an integral part of these financial statements.

CITY OF LOUISVILLE, MISSISSIPPI
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUNDS(CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,2002

	Primary Government Enterprise Funds	Component Units		Total Memo Only Reporting Entity
		Louisville Water System	Louisville Electric System	
<u>Net Increase (Decrease) in Cash</u>	\$ 75,205	\$ 355,700	\$ (305,093)	\$ 125,812
<u>Cash at Beginning of Year</u>	119,310	2,483,119	2,283,876	4,886,305
<u>Cash at End of Year</u>	<u>\$ 194,515</u>	<u>\$ 2,838,819</u>	<u>\$ 1,978,783</u>	<u>\$ 5,012,117</u>
<u>Supplemental Cash Flow Information:</u>				
Cash paid out during the year for interest	\$ -	\$ 6,632	\$ 851	\$ 7,483
<u>Supplemental Disclosure of Noncash Capital And Related Financing Activities:</u>				
Fixed assets acquired under capital leases	\$ -	\$ 28,338	\$ -	\$ 28,338

The accompanying notes are an integral part of these financial statements.

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

Note 1: Summary of Significant Accounting Policies

A. **Basis of Presentation**

The accompanying financial statements of the City of Louisville, Mississippi have been prepared in conformity with the accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.

B. **The Financial Reporting Entity**

The City of Louisville, Mississippi is a municipal corporation governed by an elected five-member board. The city's major operations include public safety, fire protection, recreation and parks, and general administrative services. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Louisville, Mississippi (the primary government) and its component units. The component units discussed in Note C are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

C. **Individual Component Unit Disclosures**

Blended Component Unit: The Louisville Coliseum is governed by an eight-member board. The City appoints the five voting board members. The Louisville Coliseum is not a legally separate entity, and it is reported as a part of the primary government since it exists solely to oversee activities and projects involving the coliseum owned by the City of Louisville.

Discretely Presented Component Units: The component units columns in the combined financial statements include the financial data of the City's other component units. They are reported in a separate column to emphasize that they are legally separated from the City. The governing bodies of all of these component units are appointed by the City board.

1. The Housing Authority of the City of Louisville was created by the City to provide public housing in accordance with federal legislation.
2. Louisville Utilities provide water, sewer and electric service to residents of the City. The City has issued a significant amount of general obligation bonds to finance Louisville Utilities' purchase of capital assets.

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS, (Continued)
SEPTEMBER 30, 2003

Note 1: Summary of Significant Accounting Policies (Continued)

C: Individual Component Unit Disclosures, (Continued)

The following pages present condensed financial statements of each of the three discretely presented component units. Complete financial statements of the individual component units can be obtained from their respective administrative offices, or from the city clerk's office at city hall.

Administrative Offices:

The Housing Authority of the City of Louisville
P. O. Box 175
Louisville, Mississippi 39339

Louisville Water System
P. O. Box 849
Louisville, Mississippi 39339

Louisville Electric System
P. O. Box 849
Louisville, Mississippi 39339

**Condensed Financial Statements-
Discretely Presented Component Units
Balance Sheets
September 30, 2003**

	Housing Authority <u>06/30/03</u>	Water System <u>System</u>	Electric System <u>06/30/03</u>	<u>Total</u>
Assets:				
Current assets	\$ 907,278	\$ 3,386,417	\$ 5,206,211	\$ 9,499,906
Fixed assets	3,533,992	6,697,409	8,253,634	18,485,035
Other assets	-	95,576	-	95,576
Total Assets	\$ <u>4,441,270</u>	\$ <u>10,179,402</u>	\$ <u>13,459,845</u>	\$ <u>28,080,517</u>

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS, (Continued)
SEPTEMBER 30, 2003

Note 1: Summary of Significant Accounting Policies (Continued)

C: **Individual Component Unit Disclosures, (Continued)**

Condensed Financial Statements-
Discretely Presented Component Units
Balance Sheets
September 30, 2003

	Housing Authority 06/30/03	Water System	Electric System 06/30/03	Total
Liabilities:				
Current Liabilities	\$ 216,181	\$ 251,274	\$ 1,353,441	\$ 1,820,896
Other Liabilities	<u>2,360</u>	<u>102,208</u>	<u>306,646</u>	<u>411,214</u>
Total Liabilities	<u>218,541</u>	<u>353,482</u>	<u>1,660,087</u>	<u>2,232,110</u>
Equity:				
Contributions from federal grants	2,174,159	3,475,271	-	5,649,430
Retained earnings	-	6,350,649	11,779,758	18,150,407
Fund balance	<u>2,048,570</u>	<u>-</u>	<u>-</u>	<u>2,048,570</u>
Total Equity	<u>4,222,729</u>	<u>9,825,920</u>	<u>11,799,758</u>	<u>25,848,407</u>
Total Liabilities and Equity	\$ <u>4,441,270</u>	\$ <u>10,179,402</u>	\$ <u>13,459,845</u>	\$ <u>28,080,517</u>

Condensed Financial Statements-
Discretely Presented Component Units
Statements of Revenues, Expenses, and Changes in Equity
For the Fiscal Year Ended September 30, 2003

Operating revenues	\$ 2,086,817	\$ 10,333,420	\$ 12,420,237
Operating expenses:			
Depreciation	259,640	455,446	715,086
Other	<u>1,470,753</u>	<u>9,544,652</u>	<u>11,015,405</u>
	<u>1,730,393</u>	<u>10,000,098</u>	<u>11,730,491</u>
Operating income	356,424	333,322	689,746
Other income	131,455	115,135	246,590
Other expenses	(<u>-</u>)	(<u>5,340</u>)	(<u>5,340</u>)
Net income	487,879	443,117	930,996
Equity – Beginning	9,338,041	11,356,641	20,694,682
Grants received	<u>-</u>	<u>-</u>	<u>-</u>
Equity – Ending	\$ <u>9,825,920</u>	\$ <u>11,799,758</u>	\$ <u>21,625,678</u>

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS, (Continued)
SEPTEMBER 30, 2003

Note 1: Summary of Significant Accounting Policies (Continued)

C: **Individual Component Unit Disclosures, (Continued)**

Condensed Financial Statements-
Discretely Presented Component Units
Statements of Revenues, Expenditures, and Changes in Equity
For the Fiscal Year Ended September 30, 2003

		<u>Housing Authority</u>
Revenues	\$	1,583,703
Expenditures:		
Operating	\$ 588,597	
Other	<u>-</u>	<u>588,597</u>
Excess of Revenues over Expenditures	\$	995,106
Equity - Beginning		3,180,342
Other changes in equity		<u>47,281</u>
	\$	<u><u>4,222,729</u></u>

Financial statements for the three discretely presented component units were audited by other auditors, as noted in our opinion letter dated June 8, 2004. It was noted that the fiscal year end for the financial statements for the Louisville Electric System and Housing Authority for the City of Louisville was June 30, 2003, instead of September 30, 2003.

D: **Fund Accounting**

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into four generic fund types and two broad fund categories as follows:

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS, (Continued)
SEPTEMBER 30, 2003

Note 1: Summary of Significant Accounting Policies, (Continued)

D. **Fund Accounting** (Continued)

Governmental Funds

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Proprietary Funds

Enterprise Funds – Enterprise Funds are used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises – Where the intent of the governing body is that the expense, including depreciation, of providing goods or services to the general public on a continuing basis are to be financed or removed primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

E. **Fixed Assets and Long-Term Liabilities**

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental fund operating statements present increases and decreases in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Fixed assets used in governmental fund type operations are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain (“infrastructure”) general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS, (Continued)
SEPTEMBER 30, 2003

Note 1: Summary of Significant Accounting Policies, (Continued)

E. Fixed Assets and Long-Term Liabilities (Continued)

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the Governmental Funds.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not effect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities associated with their activity are included on their balance sheets. Their reported fund equity is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases and decreases in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided over the estimated useful lives using the straight line method except for the landfill cell, which is depreciated based on the ratio of capacity filled during the period to the estimated total landfill capacity. The estimated useful lives are as follows:

Buildings and improvements	25-30 years
Equipment	3-10 years

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS, (Continued)
SEPTEMBER 30, 2003

Note 1: Summary of Significant Accounting Policies, (Continued):

F. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Taxpayer – assessed income, gross receipts, and sales taxes are considered “measurable” when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception is principal and interest on general long-term debt which is recognized when due.

All Proprietary Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

G. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 15, the City Clerk submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted at least one week prior to adoption of the budget in the City Hall to obtain taxpayer comments.
3. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on the modified accrual basis.

Budgeted amounts are as originally adopted, or as amended by the Board of Aldermen. Budget appropriations lapse September 30 of the following fiscal year.

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS, (Continued)
SEPTEMBER 30, 2003

Note 1: Summary of Significant Accounting Policies, (Continued):

H. **Encumbrances**

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders, and contracts.

I. **Cash and Other Deposits (and Cash Equivalents)**

The City deposits excess funds in the financial institutions selected by the Board of Aldermen in accordance with state statutes.

Cash consists of amounts on deposit in demand accounts, savings accounts, and certificates of deposit.

J. **Total Columns on Combined Statements – Overview**

Total columns on the Combined Statements – Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

K. **Joint Ventures**

1. The City is a participant with Winston County, Mississippi, in a joint venture to provide airport services through the Louisville/Winston County Airport. Each participant appoints 2 ½ board members of the Louisville/Winston County Airport. The City provided \$7,500 of support in the fiscal year ended September 30, 2003.
2. The City is a participant with Winston County, Mississippi, the Town of Noxapater, and the Louisville Chamber of Commerce in maintaining the Winston County Economic Development District to encourage economic and industrial growth in Winston County. The City appoints 2 ½ board members to the board of Winston County Economic Development District which has a total of 7 board members. For the fiscal year ended September 30, 2003, the City provided \$20,600 of support to the Winston County Economic Development District. The economic development district also loaned the city \$40,000 as part of the matching funds obligated as a condition of CDBG Grant 6-132-PI-LNO2. As of September 30, 2003, the city owes the Winston County Economic Development District \$15,667 on this loan.

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS, (Continued)
SEPTEMBER 30, 2003

Note 1: Summary of Significant Accounting Policies, (continued):

L. Landfill Fund

The Winston County/City of Louisville Landfill is jointly owned by the County and City but due to Department of Environmental Quality Standards both governments have agreed to report the fund as an enterprise fund on the City of Louisville's financial statements. The City maintains all the financial records and is responsible for daily bookkeeping requirements for the fund. The City is responsible for day to day operations and administration of the Landfill.

Note 2: Property Tax

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable on or before January 31. The City bills and collects its own property taxes and also taxes for the County School District.

Note 3: Cash and Other Deposits

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

The carrying amount of the City's deposits with financial institutions was \$1,676,016 and the bank balance was \$1,775,336.

Note 4: Investments

Except for (1) nonparticipating investment contracts and for (2) participating interest-earning investment contracts and money market investments that had a remaining maturity at the time of purchase of one year or less, investments are reported at fair value which is based on quoted market price. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Participating interest-earning investment contracts and money market investments that had a remaining maturity at time of purchase of one year or less are reported at amortized cost.

Investments made by the City that are included on the balance sheet are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the categories described below:

Category 1 – Insured or registered or for which the securities are held by the school district or its agent in the City's name.

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS, (Continued)
SEPTEMBER 30, 2003

Note 4: Investments, (Continued):

Category 2 – Uninsured and unregistered for which the securities are held by the broker or dealer's trust department or agent in the City's name.

Category 3 – Uninsured and unregistered for which the securities are held by the broker or dealer, or by its trust department or agent but not in the City's name.

Investment Type	1	Category 2	3	Carrying Amount	Market Value
U S Treasury obligations	\$ _____	\$ <u>193,798</u>	\$ _____	\$ <u>193,798</u>	\$ <u>193,798</u>
Total Investments	\$ _____	\$ <u>193,798</u>	\$ _____	\$ <u>193,798</u>	\$ <u>193,798</u>

Note 5: Trade Receivables – Enterprise Funds

At September 30, 2003, the City had trade receivables for user fees and tipping fees at the Landfill that were reported in Solid Waste Management and the Landfill Funds, respectively. A listing of these receivables by fund follows:

	Solid Waste Management Fund	Landfill Fund	Total
Total receivables	\$ 60,327	\$ 40,898	\$ 101,225
Less: Allowance for uncollectible accounts	<u>0</u>	(<u>937</u>)	\$ (<u>937</u>)
Net	\$ <u>60,327</u>	\$ <u>39,961</u>	\$ <u>100,288</u>

Note 6: Interfund Receivables/Payables

A list of interfund receivables/payables at September 30, 2003, follows:

	Due From Other Funds	Due to Other Funds
General Fund	\$ _____	\$ <u>70,194</u>
Total General Fund	_____	<u>70,194</u>
Solid Waste Management Fund	-	35,000
Landfill Fund	105,194	-
Less: Interfund Eliminations	(<u>35,000</u>)	(<u>35,000</u>)
Total Enterprise Funds	<u>70,194</u>	_____
Total All Funds	\$ <u>70,194</u>	\$ <u>70,194</u>

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS, (Continued)
SEPTEMBER 30, 2003

Note 7: Notes Receivable – General Fund

Following is a schedule of notes receivable at September 30, 2003:

Promissory note dated August 22, 1966, for an original amount of \$400,000 from Liberty Transportation, Inc. The note was made for repayment of \$400,000 CDBG loan 5-132-PI-LNO3 incurred by the city for improvements to the industrial park. The note is to be repaid in 180 monthly installments of \$3,375.63 at a 6% annual rate of interest beginning June 1, 1997, with final payment due on May 1, 2012. The note is secured by buildings constructed with CDBG funds and the personal guarantee of Chester Dempsey. See Note 12 for further information regarding the delinquency of this note. \$ 340,933

Promissory note dated September 1, 1997 from Wright Cabinet Manufacturing, Inc. The note was made for repayment of \$900,000 capital improvement program loan from the MS Dept. of Economic and Community Development and \$500,000 loan from the Tennessee Valley Authority. The note has no assigned interest rate but based on interest to be paid on the loans mentioned above interest has been imputed at an annual rate of 5.187%. The note is to be repaid in 60 monthly installments of \$10,572.93 beginning on September 1, 1997. On September 1, 2002, the monthly installments decreased to \$9,307.93 for 60 months. On September 1, 2007, the monthly installments decrease to \$6,657.30 for 60 months, with final payment on August 1, 2012. The note is secured by a building constructed with CDBG/CAP/TVA funds. \$ 681,867

Promissory note dated November 18, 1996, from Wright Cabinet Manufacturing, Inc., in the original amount of \$424,000. The note was made for repayment of \$424,000 CDBG loan 6-132-PI-LNO2 incurred by the city to construct a new industrial building. The note is to be repaid in 120 monthly installments of \$4,707.27 at a 6% annual rate of interest beginning July 1, 1997, with a final payment due June 1, 2007. The city has a first security interest in the assets listed below as collateral for the promissory note:

One (1) Mereen Johnson 31" No. 341 DC Dip Chain Gang Rip Saw
One (1) Concept 2000 Tenoner Serial No. AA1-009291
One (1) Concept 2000 Tenoner Serial No. AA1-009292 \$ 189,266

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS, (Continued)
SEPTEMBER 30, 2003

Note 9: Fixed Assets

The following is a summary of changes in fixed assets in the General Fixed Assets Account Group:

	<u>Balance</u> <u>10/01/02</u>		<u>Additions</u>		<u>Retirements</u>		<u>Balance</u> <u>09/30/03</u>
Land	\$ 595,716	\$		\$	(20,000)	\$	575,716
Buildings & Improvements	2,375,900						2,375,900
Equipment - Capital Lease Obligations	179,448						179,448
Other	<u>1,431,487</u>		<u>83,487</u>	(<u>90,907</u>)	<u>1,424,067</u>
Total	\$ <u>4,582,551</u>	\$	<u>83,487</u>	\$ (<u>110,907</u>) \$	<u>4,555,131</u>

A summary of proprietary fund type property, plant, and equipment at September 30, 2003 follows:

Land	\$ 124,000
Buildings & Improvements	1,580,712
Equipment	583,439
Less:	
Accumulated Depreciation	(<u>1,575,756</u>)
Total	\$ <u>712,395</u>

Depreciation for the current fiscal year using the straight line method, except for the landfill cell, for which depreciation is based on the ratio of capacity filled during the period to the estimated total landfill capacity, totaled \$144,763.

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS, (Continued)
SEPTEMBER 30, 2003

Note 10: General Long Term Debt

The following is a summary of the transactions in the general long term debt account group for the year ended September 30, 2003.

	Balance @ <u>10/01/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	Balance @ <u>09/30/03</u>
Notes payable	\$ 1,606,471	\$ 0	\$ (158,480)	\$ (57,142)	1,390,849
Capital Leases Payable	<u>94,794</u>	<u>20,000</u>	(<u>33,460</u>)	(<u>-</u>)	<u>81,334</u>
Total	\$ <u>1,701,265</u>	\$ <u>20,000</u>	\$ (<u>191,940</u>)	\$ (<u>57,142</u>)	<u>1,472,183</u>

The following is a breakdown of notes payable at September 30, 2003, which includes applicable payment terms, annual rate of interest, and maturities over the next five years:

Note payable to the MS Dept. of Economic and Community Development Capital Improvements Loan Program. The city originally borrowed \$900,000 to construct a new industrial building for Wright Cabinet Manufacturing, Inc. The loan is to be repaid in 180 monthly installments of \$6,657.22 at a 4% annual rate of interest beginning September 1, 1997, with final payment due August 1, 2012. The principal balance owed at September 30, 2003, was \$593,641. The note is secured by the building constructed with the funds and by sales tax collections of the municipality.

Note payable to the Department of Economic and Community Development, Community Services Division, for CDBG Project No. 6-132-PI-LNO2. The city originally borrowed \$424,000 to construct a new industrial building for Wright Cabinet manufacturing, Inc. The loan is to be repaid in 120 monthly installments of \$4,707.27 at a 6% annual rate of interest beginning July 1, 1997 with final payment due June 1, 2007. The principal balance owed at September 30, 2003, was \$189,266. The note is secured with the equipment listed below:

One (1) Mereen Johnson 31" No. 341-DC Dip Chain Gang Rip Saw

One (1) Concept 2000 Tenoner Serial No. AA1-009291

One (1) Concept 2000 Tenoner Serial No. AA1-009292

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS, (Continued)
SEPTEMBER 30, 2003

Note 10: General Long Term Debt, (Continued)

Note payable to the Department of Economic and Community Development, Community Services Division for CDBG Project No. 5-132-PI-LNO3. The city originally borrowed \$400,000 to improve industrial property for Liberty Transportation, Inc. the loan is to be repaid in 180 monthly installments of \$3,375.43 at a 6% annual rate of interest beginning June 1, 1997 with the final payment due May 1, 2012. The principal balance owed at September 30, 2003, was \$340,933. The note is secured by the building constructed with these funds.

Note payable to the Tennessee Valley Authority under contract No. 96BKY-94583V. The city originally borrowed \$500,000 to construct a new industrial building for Wright Cabinet Manufacturing, Inc. The loan is to be repaid in 120 monthly installments of \$6,081.14 at a 7.25% annual rate of interest. The principal balance at September 30, 2003, was \$229,675. The note is secured by a building constructed with these funds.

Note payable to the MS Department of Economic and Community Development, for Taylor Machine Works, Inc., portion of over expended CDBG grant funds. The loan is to be repaid in 20 annual installments of \$1,667.67 by August 1 of each fiscal year. Taylor Machine Works, Inc., is reimbursing the city with annual lease payments of \$1,667 due by August 1 of each fiscal year. The loan is non-interest bearing. The principal balance at September 30, 2003, was \$21,667.

Note payable to the Winston County Economic Development District for loan to construct new industrial building for Wright Cabinet Manufacturing, Inc. The original amount of the loan was \$40,000 and is to be repaid in 120 monthly installments of \$333.33. The note is non-interest bearing. The first payment was due September 3, 1997, with final payment being due August 3, 2007. The principal balance at September 30, 2003, was \$15,667.

Principal balances of notes payable over the next five years areas follows:

<u>FYE September 30,</u>		<u>Amount</u>
2004	\$	259,981
2005		203,346
2006		215,123
2007		182,338
2008		100,243
Thereafter		<u>429,818</u>
Total	\$	<u>1,390,849</u>

The amount listed in the adjustments column for notes payable of \$57,142 represents the amount reported as due to the Tennessee Valley Authority for Southern Products, Inc., at September 30, 2002. However, it was noted that this loan was paid off in the September 30, 2002 fiscal year, therefore, the balance should have been 0.

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS, (Continued)
SEPTEMBER 30, 2003

Note 10: General Long Term Debt, (Continued)

The following is a breakdown of capital leases payable recorded in the General Long Term Debt Account Group at September 30, 2003.

The city has entered into a lease purchase agreement with First Continental Leasing to purchase a Street Sweeper for the street department. The lease is to be repaid in 60 monthly installments of \$2,049.21 at a 5.93% annual rate of interest.

The city has entered into a lease purchase agreement with First Continental Leasing to purchase a E-911 Voice Recorder Serial No. 0305. The lease is to be repaid in 60 monthly installments of \$431.13 at a 4.59% annual rate of interest.

The city has entered into a lease purchase agreement with First Continental Leasing to purchase a John Deere 5105 Utility Tractor Serial No: LV5105C211548. The lease is to be repaid in 36 monthly installments of \$413.89 at a 4.59% annual rate of interest.

The city has entered into a lease purchase agreement with First Continental Leasing to purchase MMS 2000 software. The lease is to be repaid in 36 monthly installments of \$583.30 at a 3.190% annual rate of interest.

Maturities of the capital lease obligations are as follows:

<u>FYE September 30,</u>		<u>Amount</u>
2004	\$	41,730
2005		35,128
2006		8,673
2007		431
2008		-
Total payments		85,962
Less: Imputed Interest	(4,628)
Present Value of Minimum Lease Payments	\$	<u>81,334</u>

Note 11: Defined Benefit Pension Plan

Plan Description: The City contributes to the Public Employee's Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS building, 429 Mississippi Street, Jackson, Mississippi 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS, (Continued)
SEPTEMBER 30, 2003

Note 11: Defined Benefit Pension Plan, Continued

Funding Policy: PERS members are required to contribute 7.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members and employees are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2003, 2002, and 2001, were \$140,789, \$139,767, and \$132,662, respectively, which equaled the required contributions for each year.

Note 12: Commitments and Contingencies Footnote:

As mentioned in Notes 7 and 10, there is a promissory note dated August 22, 1996, for an original amount of \$400,000 from Liberty Transportation, Inc. The note was made for repayment of a \$400,000 CDBG loan incurred by the city for improvements made to the Industrial Park where Liberty Transportation, Inc., is located. Liberty Transportation, Inc., notified the city in September 2000 that the August 2000 payment was the final one that the company could make at that time and that the company was filing bankruptcy at that time. The principal balance at the date of notification was \$340,933. No further payments have been received from that date through the date of this report. The city is awaiting response from the MS Department of Economic Development for information regarding the procedures to be followed regarding collection of this note and related payment of the CDBG loan incurred on this project. As of September 30, 2003, an undetermined amount of interest has accrued on the note. This accrual has not been recorded since accrued interest is not recorded in governmental funds under accounting principles generally accepted in the United States of America. This amount is however a potential contingent liability of the city.

Note 13: Prior Period Adjustments

Reclassify fund equity-and adjustment to correct a prior year error in recording an asset or liability.

A summary of significant fund equity reclassifications is as follows:

General Fund	\$ <u>57,142</u>
--------------	------------------

Note 14: Subsequent Events Memo

The city has entered into the following purchase commitments subsequent to September 30, 2003:

- Approved purchase of handicapped elevator from Capital Elevator for the coliseum for a total amount of \$22,284.
- Approved payments totaling \$179,773 to Superior Asphalt, Inc., for various road projects.

CITY OF LOUISVILLE, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS, (Continued)
SEPTEMBER 30, 2003

Note 14: Subsequent Events Memo, (Continued)

- Approved purchase totaling \$43,205 for a 2004 Ford F150 Truck with related equipment for the fire department. These payments are made with a Homeland Security Grant.
- Approved purchase totaling \$17,020 for a GMC 4-wheel drive truck for the public works department.
- Authorized lease purchase of various cemetery equipment costing \$19,195. Lease is to be financed with Peoples Leasing and repaid over three years.
- Approved lease purchase of four police cars through Peoples Leasing. The lease is to be repaid in 36 monthly installments of \$2,788.31 at a 2.987% annual rate of interest.

Note 15: GASB 34 Implementation

Effective October 1, 2003, GASB Statement 34 requires changes to be made in the way financial statements are presented and reported. Timing of implementation of GASB Statement 34 is based upon revenues for the 1999 fiscal year of the primary government. Those with revenues under \$10 million for the 1999 fiscal year are required to implement GASB Statement 34 in the 2004 fiscal year.

CITY OF LOUISVILLE, MISSISSIPPI

SUPPLEMENTAL INFORMATION

CITY OF LOUISVILLE, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Catalog of Federal Domestic Assistance No.</u>	<u>Pass-Through Entity Identifying No.</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through the Mississippi Department of Economic and Community Development			
Community Development Block Grants/State's Program	14.228	1119-02-238-ED-01	\$ 273,553
Community Development Block Grants/State's Program	14.228	1119-02-238-PF-01	<u>51,850</u>
Total U.S. Department of Housing & Urban Development			<u>325,403</u>
<u>U.S. Department of Justice</u>			
Direct program			
Federal Law Enforcement Block Grants Program	16.592	2002-LB-BX-2452	2,500
Bullet-proof Vest Partnership Program	16.607	N/A	<u>3,390</u>
Total U.S. Department of Justice			<u>5,890</u>
<u>Federal Aviation Administration (FAA)</u>			
Direct program			
Airport Improvement Program	20.106	3-28-0043-003-2003	<u>16,465</u>
Total Federal Aviation Administration			<u>16,465</u>
Total for all Federal Awards			\$ <u>347,758</u>

Notes to Schedule:

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the general purpose financial statements.
2. The expenditure amounts include transfers out.

CITY OF LOUISVILLE, MISSISSIPPI
COMBINING BALANCE SHEET – GENERAL FUNDS
SEPTEMBER 30, 2003

	<u>General</u>	<u>E911 Fund</u>	<u>Memorial Park & Cemetery Fund</u>	<u>Total</u>
<u>Assets</u>				
Cash	\$ 1,052,575	\$ 18,176	\$ 96,147	\$ 1,166,898
Due from state sources	116,336			116,336
Due from local sources	50,975	10,981	521	62,477
Notes receivable	<u>1,317,807</u>	<u>-</u>	<u>-</u>	<u>1,317,807</u>
Total Assets	\$ <u>2,537,693</u>	\$ <u>29,157</u>	\$ <u>96,668</u>	\$ <u>2,663,518</u>
<u>Liabilities & Fund Equity</u>				
Liabilities:				
Accounts payable	\$ 266,713	\$ 4,411	\$ 7,860	\$ 278,984
Intergovernmental payables	12,994			12,994
Other accrued liabilities	4,099			4,099
Due to other funds	<u>70,194</u>	<u>-</u>	<u>-</u>	<u>70,194</u>
Total Liabilities	<u>354,000</u>	<u>4,411</u>	<u>7,860</u>	<u>366,271</u>
Fund Equity:				
Reserved for Debt Service	1,317,807			1,317,807
Unrestricted Fund Balance	<u>865,886</u>	<u>24,746</u>	<u>88,808</u>	<u>979,440</u>
Total Fund Equity	<u>2,183,693</u>	<u>24,746</u>	<u>88,808</u>	<u>2,297,247</u>
Total Liabilities and Fund Equity	\$ <u>2,537,693</u>	\$ <u>29,157</u>	\$ <u>96,668</u>	\$ <u>2,663,518</u>

CITY OF LOUISVILLE, MISSISSIPPI
COMBINING BALANCE SHEET - GENERAL FUNDS
SEPTEMBER 30, 2003

	General	E911 Fund	Memorial Park & Cemetery Fund	Total
<u>Assets</u>				
Cash	\$ 1,052,575	\$ 18,176	\$ 96,147	\$ 1,166,898
Due from state sources	116,336			116,336
Due from local sources	50,975	10,981	521	62,477
Notes receivable	1,317,807			1,317,807
Total Assets	<u>\$ 2,537,693</u>	<u>\$ 29,157</u>	<u>\$ 96,668</u>	<u>\$ 2,663,518</u>
<u>Liabilities & Fund Equity</u>				
Liabilities:				
Accounts payable	\$ 266,713	\$ 4,411	\$ 7,860	\$ 278,984
Intergovernmental payables	12,994			12,994
Other accrued liabilities	4,099			4,099
Due To Other Funds	70,194			70,194
Total Liabilities	<u>354,000</u>	<u>4,411</u>	<u>7,860</u>	<u>366,271</u>
Fund Equity:				
Reserved For Debt Service	1,317,807			1,317,807
Unrestricted Fund Balance	865,886	24,746	88,808	979,440
Total Fund Equity	<u>2,183,693</u>	<u>24,746</u>	<u>88,808</u>	<u>2,297,247</u>
Total Liabilities & Fund Equity	<u>\$ 2,537,693</u>	<u>\$ 29,157</u>	<u>\$ 96,668</u>	<u>\$ 2,663,518</u>

CITY OF LOUISVILLE, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GENERAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	General Fund	E911 Fund	Memorial Park & Cemetery Fund	Less: Interfund Eliminations	Total
Revenues:					
Taxes:					
General Property Taxes	\$ 540,322	\$ -	\$ 46,105	-	\$ 586,427
Payments In Lieu Of Taxes	400,192				400,192
Delinquent Taxes	1,635		144		1,779
Penalties & Interest On Delinquent Taxes	12,000				12,000
Licenses & Permits	20,276		1,850		22,126
Intergovernmental Receipts:					
Federal Grants:					
Federal Aviation Administration Grants	16,465				16,465
Department Of Public Safety Grants	7,890				7,890
State Grants:					
General Municipal Aid	13,972				13,972
Mid MS Regional Library Commission Grant	239,511				239,511
Emergency Management Grants	500				500
State Shared Receipts:					
Sales Taxes	1,356,665				1,356,665
Fire Protection Allocation	31,667				31,667
Railcar Rebate	4,691				4,691
County Shared Receipts:					
Road Taxes	105,403				105,403
Fire Protection Allocation	10,800				10,800
Charges For Non-Enterprise Services:					
School Commission Fees	32,000				32,000
Protective Services	42,710				42,710
E911 Services		144,137			144,137
Fines & Forfeitures	63,586				63,586
Rents	36,270				36,270
Interest	91,878	622	2,385		94,885
Miscellaneous	10,407				10,407
Sales Of Lots & Memorials			40,743		40,743
Total Revenues	<u>\$ 3,038,840</u>	<u>\$ 144,759</u>	<u>\$ 91,227</u>	<u>\$ -</u>	<u>\$ 3,274,826</u>

CITY OF LOUISVILLE, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GENERAL FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	General Fund	E911 Fund	Memorial Park & Cemetery Fund	Less: Interfund Eliminations	Total
Expenditures:					
General government	\$ 449,097	\$ -	\$ 71,233	-	\$ 520,330
Public safety:					
Police	917,832	175,603			1,093,435
Fire	301,121				301,121
Public works	823,321				823,321
Culture & recreation	565,345				565,345
Garage	27,179				27,179
Miscellaneous	35,687				35,687
Total Expenditures	<u>3,119,582</u>	<u>175,603</u>	<u>71,233</u>	<u>-</u>	<u>3,366,418</u>
Excess Of Revenues Over(Under) Expenditures	<u>(80,742)</u>	<u>(30,844)</u>	<u>19,994</u>	<u>-</u>	<u>(91,592)</u>
Other Financing Sources(Uses):					
Inception of capital leases	20,000				20,000
Operating transfers In		45,000		(45,000)	-
Operating transfers out	<u>(293,071)</u>	<u>(5,174)</u>		<u>45,000</u>	<u>(253,245)</u>
Total Other Financing Sources (Uses)	<u>(273,071)</u>	<u>39,826</u>	<u>-</u>	<u>-</u>	<u>(233,245)</u>
Excess Of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	<u>(353,813)</u>	<u>8,982</u>	<u>19,994</u>	<u>-</u>	<u>(324,837)</u>
Fund Balance, October 1, 2002	2,594,648	15,764	68,814	-	2,679,226
Prior period adjustments					
Reclassify fund equity	<u>(57,142)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(57,142)</u>
Fund Balance, October 1, 2002, as restated	<u>2,537,506</u>	<u>15,764</u>	<u>68,814</u>	<u>-</u>	<u>2,622,084</u>
Fund Balance, September 30, 2003	<u>\$ 2,183,693</u>	<u>\$ 24,746</u>	<u>\$ 88,808</u>	<u>\$ -</u>	<u>\$ 2,297,247</u>

CITY OF LOUISVILLE,MISSISSIPPI
COMBINING STATEMENT OF REVENUES,EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,2003

	General Fund			E911 Fund			Memorial Park & Cemetary Fund			Less: Interfund Eliminations			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:															
Taxes and special assessments	\$ 889,030	\$ 954,149	\$ 65,119	\$ -	\$ -	\$ -	\$ 38,860	\$ 46,249	\$ 7,389			\$ -	\$ 927,890	\$ 1,000,398	\$ 72,508
Licenses and permits	16,500	20,276	3,776			-	1,500	1,850	350			-	18,000	22,126	4,126
Intergovernmental receipts	2,611,618	1,787,564	(824,054)			-			-			-	2,611,618	1,787,564	(824,054)
Chargeable services	77,000	74,710	(2,290)	134,600	144,137	9,537			-			-	211,600	218,847	7,247
Fines and forfeitures	57,600	63,586	5,986			-			-			-	57,600	63,586	5,986
Rents	35,000	36,270	1,270			-			-			-	35,000	36,270	1,270
Interest	45,000	91,878	46,878	500	622	122	3,000	2,385	(615)			-	48,500	94,885	46,385
Miscellaneous	10,200	10,407	207			-			-			-	10,200	10,407	207
Sales of lots and memorials			-			-	25,000	40,743	15,743			-	25,000	40,743	15,743
Total Revenues	3,741,948	3,038,840	(703,108)	135,100	144,759	9,659	68,360	91,227	22,867	-	-	-	3,945,408	3,274,826	(670,582)
Expenditures:															
General government	436,360	449,097	(12,737)			-	90,600	71,233	19,367			-	526,960	520,330	6,630
Public Safety:															
Police	1,014,278	917,832	96,446	188,900	175,603	13,297			-			-	1,203,178	1,093,435	109,743
Fire	342,300	301,121	41,179			-			-			-	342,300	301,121	41,179
Public works	1,758,205	823,321	934,884			-			-			-	1,758,205	823,321	934,884
Culture and recreation	681,510	565,345	116,165			-			-			-	681,510	565,345	116,165
Garage	29,056	27,179	1,877			-			-			-	29,056	27,179	1,877
Miscellaneous	41,395	35,687	5,708			-			-			-	41,395	35,687	5,708
Total Expenditures	4,303,104	3,119,582	1,183,522	188,900	175,603	13,297	90,600	71,233	19,367	-	-	-	4,582,604	3,366,418	1,216,186
Excess of Revenues Over (Under) Expenditures		(80,742)			(30,844)			19,994			-			(91,592)	

CITY OF LOUISVILLE,MISSISSIPPI
COMBINING STATEMENT OF REVENUES,EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUNDS(CONTINUED)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,2003

	General Fund			E911 Fund			Memorial Park & Cemetary Fund			Less: Interfund Eliminations			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Other Financing Sources (Uses):															
Other financing sources	\$ 20,000	\$ 20,000	\$ -	\$ 45,000	\$ 45,000	\$ -	\$ -	\$ -	\$ -	\$ (45,000)	\$ (45,000)	\$ -	\$ 20,000	\$ 20,000	\$ -
Other financing uses	(77,094)	(293,071)	(215,977)	-	(5,174)	(5,174)	-	-	-	45,000	45,000	-	(32,094)	(253,245)	(221,151)
Total Other Financing Sources (Uses)	(57,094)	(273,071)	(215,977)	45,000	39,826	(5,174)	-	-	-	-	-	-	(12,094)	(233,245)	(221,151)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses		(353,813)			8,982			19,994			-			(324,837)	
Fund Balance at October 1,2002		2,594,648			15,764			68,814			-			2,679,226	
Prior period adjustments Reclassify fund equity		(57,142)			-			-			-			(57,142)	
Fund Balance at October 1,2001, as restated		2,537,506			15,764			68,814			-			2,622,084	
Fund Balance at September 30,2002	\$	2,183,693		\$	24,746		\$	88,808		\$	-		\$	2,297,247	

CITY OF LOUISVILLE, MISSISSIPPI
COMBINING BALANCE SHEET - SPECIAL REVENUE FUNDS
SEPTEMBER 30,2002

	CDBG Grant	UDAG Grant	Total
<u>Assets</u>			
Cash	\$ 8	\$ -	\$ 8
Notes receivable	-	227,671	227,671
Due from federal sources	4,200	-	4,200
Total Assets	<u>\$ 4,208</u>	<u>\$ 227,671</u>	<u>\$ 231,879</u>
<u>Liabilities & Fund Equity</u>			
Accounts Payable	\$ 4,200	\$ -	\$ 4,200
Total Liabilities	<u>4,200</u>	<u>-</u>	<u>4,200</u>
Fund Equity:			
Restricted Fund Balance	8	227,671	227,679
Total Fund Equity	<u>8</u>	<u>227,671</u>	<u>227,679</u>
Total Liabilities & Fund Equity	<u>\$ 4,208</u>	<u>227,671</u>	<u>\$ 231,879</u>

CITY OF LOUISVILLE,MISSISSIPPI
COMBINING STATEMENT OF REVENUES,EXPENDITURES AND
CHANGES IN FUND BALANCE - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,1999

Not required for 9/30/01

	Department Of Public Safety Grant	UDAG Grant	Total
Revenues:			
Intergovernmental Receipts:			
Interest	\$ 13	\$ -	\$ 13
Total Revenues	13	-	13
Expenditures:			
Protective Services			
Police	940	-	940
Total Expenditures	940	-	940
Excess Of Revunues Over (Under) Expenditures	(927)	-	(927)
Other Financing Sources(Uses):			
Operating Transfers Out	(22)		
Total Other Financing Sources(Uses)	(22)	-	(22)
Excess Of Revenues & Other Financing Souces Over(Under) Expenditures & Other Financing Uses	(949)	-	(949)
Fund Balance,October 1,1998	949	227,671	228,620
Fund Balance September 30,1999	\$ -	\$ 227,671	\$ 227,671

CITY OF LOUISVILLE, MISSISSIPPI
COMBINING BALANCE SHEET - CAPITAL PROJECTS FUNDS
SEPTEMBER 30,1997

Not Required For FYE 9/30/01

	CDBG Liberty Fund	Angelica Industrial Expension	Total
Assets			
Cash	\$ 2,246	77,355	79,601
Due from federal sources	5,194	-	5,194
Due from state sources	50,000	-	50,000
Due from local sources	10,072	-	10,072
Total Assets	\$ 67,512	\$ 77,355	\$ 144,867
Liabilities & Fund Equity			
Liabilities:			
Accounts Payable	67,512	-	67,512
Total Liabilities	67,512	-	67,512
Fund Equity:			
Restricted Fund Balance	-	77,355	77,355
Total Fund Equity	-	77,355	77,355
Total Liabilities & Fund Equity	\$ 67,512	77,355	\$ 144,867

CITY OF LOUISVILLE, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,1998

Not Required For 9/30/01

	Angelica Industrial Expansion	CAP Loan- Sylvester's Welding, Inc.	Total
Revenues:			
Interest	357	-	357
Total Revenues	357	-	357
Expenditures:			
General Government	77,712	43,400	121,112
Total Expenditures	77,712	43,400	121,112
Excess Of Revunues Over (Under) Expenditures	(77,355)	(43,400)	(120,755)
Other Financing Sources (Uses):			
Loan Proceeds - MS Dept Of Economic and Community Development	-	43,400	43,400
Total Other Financing Sources(Uses)	-	43,400	43,400
Excess Of Revenues & Other Financing Souces Over(Under) Expenditures & Other Financing Uses	(77,355)	-	(77,355)
Fund Balance,October 1,1997	77,355	-	77,355
Fund Balance September 30,1998	-	-	-

CITY OF LOUISVILLE, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUNDS
Not Required For 9/30/07
FOR THE FISCAL YEAR ENDED SEPTEMBER 30,1998

	Angelica Industrial Expansion			CAP Loan - Sylvester's Welding			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Interest	-	357	357	-	-	-	-	357	357
Total Revenues	-	357	357	-	-	-	-	357	357
Expenditures:									
General Government	-	77,712	(77,712)	1,000,000	43,400	956,600	1,000,000	121,112	878,888
Total Expenditures	-	77,712	(77,712)	1,000,000	43,400	956,600	1,000,000	121,112	878,888
Excess of Revenues Over (Under) Expenditures		(77,355)			(43,400)			(120,755)	
Other Financing Soucres (Uses):									
Loan Proceeds	-	-	-	1,000,000	43,400	956,600	1,000,000	43,400	956,600
Total Other Financing Sources (Uses)	-	-	-	1,000,000	43,400	956,600	1,000,000	43,400	956,600
Excess of Revenues and Over Financing Sources Over (Under) Expenditures and Other Financing Uses		(77,355)			-			(77,355)	
Fund Balance, October 1, 1997		77,355			-			77,355	
Fund Balance, September 30, 1998		\$ -			-			-	

CITY OF LOUISVILLE, MISSISSIPPI
COMBINING BALANCE SHEET - ENTERPRISE FUNDS
SEPTEMBER 30, 2003

	Solid Waste Management Fund	Landfill Fund	Less: Interfund Eliminations	Total
<u>Current Assets:</u>				
Cash	\$ 211,658	\$ 156,411	\$ -	\$ 368,069
Trade Receivables	60,327	40,898	-	101,225
Less: Allowance for doubtful accounts	-	(937)	-	(937)
Due From Other Funds	-	105,194	(35,000)	70,194
Total Current Assets	<u>271,985</u>	<u>301,566</u>	<u>(35,000)</u>	<u>538,551</u>
<u>Fixed Assets:</u>				
Land	-	124,000	-	124,000
Equipment	23,550	559,889	-	583,439
Wells, Liner, And Improvements	-	1,580,712	-	1,580,712
Less: Accumulated Depreciation	(2,355)	(1,573,401)	-	(1,575,756)
Total Fixed Assets	<u>21,195</u>	<u>691,200</u>	<u>-</u>	<u>712,395</u>
<u>Other Assets:</u>				
Investments-closure/post closure cost trust accounts	-	193,798	-	193,798
Total Other Assets	<u>-</u>	<u>193,798</u>	<u>-</u>	<u>193,798</u>
Total Assets	<u>\$ 293,180</u>	<u>\$ 1,186,564</u>	<u>\$ (35,000)</u>	<u>\$ 1,444,744</u>

CITY OF LOUISVILLE, MISSISSIPPI
COMBINING BALANCE SHEET - ENTERPRISE FUNDS (CONTINUED)
SEPTEMBER 30, 2003

	Solid Waste Management Fund	Landfill Fund	Less: Interfund Eliminations	Total
<u>Current Liabilities:</u>				
Accounts Payable	\$ 9,462	\$ 7,465	\$ -	\$ 16,927
Solid Waste Fee Payable	-	11,297	-	11,297
Due To Other Funds	35,000	-	(35,000)	-
Total Current Liabilities	<u>44,462</u>	<u>18,762</u>	<u>(35,000)</u>	<u>28,224</u>
 Other Liabilities:				
Liability for closure/post closure costs	-	357,043	-	357,043
Total Liabilities	<u>44,462</u>	<u>375,805</u>	<u>(35,000)</u>	<u>385,267</u>
 <u>Fund Equity:</u>				
Contributed Capital	-	696,992	-	696,992
Retained earnings (deficit):				
Reserved for payment of closure/post closure costs	-	193,798	-	193,798
Unreserved (Undesignated)	248,718	(80,031)	-	168,687
Total Fund Equity	<u>248,718</u>	<u>810,759</u>	<u>-</u>	<u>1,059,477</u>
 Total Liabilities and Fund Equity	<u>\$ 293,180</u>	<u>\$ 1,186,564</u>	<u>\$ (35,000)</u>	<u>\$ 1,444,744</u>

CITY OF LOUISVILLE, MISSISSIPPI
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Solid Waste Management Fund	Landfill Fund	Total
<u>Operating Revenues:</u>			
Charges for services	\$ 350,723	\$ 270,602	\$ 621,325
Total Operating Revenues	<u>350,723</u>	<u>270,602</u>	<u>621,325</u>
<u>Operating Expenses:</u>			
Salaries and employee benefits	-	101,582	101,582
Contractual services	218,879	-	218,879
Supplies	-	8,065	8,065
Gas and Oil	-	11,309	11,309
Utilities	56,167	2,937	59,104
Other services and charges	-	55,329	55,329
Depreciation	2,355	142,408	144,763
Closure/post closure expense	-	45,694	45,694
Subtitle D operation expense	-	44,619	44,619
Total Operating Expenses	<u>277,401</u>	<u>411,943</u>	<u>689,344</u>
 Operating Profit (Loss)	 73,322	 (141,341)	 (68,019)
<u>Nonoperating Revenues (Expenses):</u>			
Interest Income	4,819	6,616	11,435
Grants received	15,000	1,000	16,000
	-	-	-
Total Nonoperating Revenues (Expenses)	<u>19,819</u>	<u>7,616</u>	<u>27,435</u>
Income (Loss) Before Operating Transfers In (Out)	<u>93,141</u>	<u>(133,725)</u>	<u>(40,584)</u>
Net Income (Loss)	93,141	(133,725)	(40,584)
Retained Earnings (Deficit) at October 1, 2002	<u>155,577</u>	<u>247,492</u>	<u>403,069</u>
Retained Earnings (Deficit) at September 30, 2003	<u>\$ 248,718</u>	<u>\$ 113,767</u>	<u>\$ 362,485</u>

CITY OF LOUISVILLE, MISSISSIPPI
COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS
SEPTEMBER 30, 2003

	Solid Waste Management Fund	Landfill Fund	Total
<u>Cash Flows from Operating</u>			
<u>Activities:</u>			
Operating income (loss)	\$ 73,322	\$ (141,341)	\$ (68,019)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	2,355	142,408	144,763
Changes in Assets and Liabilities:			
Decrease (Increase) in receivables (net)	(2,886)	(1,453)	(4,339)
Increase (Decrease) in payables	8,837	(8,044)	793
Increase in liability for closure/post closure costs	-	45,694	45,694
Net Cash Provided (Used) by Operating Activities	<u>81,628</u>	<u>37,264</u>	<u>118,892</u>
<u>Cash Flows from Noncapital</u>			
<u>Financing Activities:</u>			
Grants received	15,000	1,000	16,000
	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>15,000</u>	<u>1,000</u>	<u>16,000</u>
<u>Cash Flows from Capital and</u>			
<u>Related Financing Activities:</u>			
Purchases of Equipment	<u>(23,550)</u>	<u>(22,490)</u>	<u>(46,040)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(23,550)</u>	<u>(22,490)</u>	<u>(46,040)</u>

CITY OF LOUISVILLE, MISSISSIPPI
COMBINING STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS(CONTINUED)
SEPTEMBER 30, 2003

	Solid Waste Management Fund	Landfill Fund	Total
<u>Cash Flows from Investing</u>			
<u>Activities:</u>			
Interest revenue	\$ 4,819	\$ 6,616	\$ 11,435
Increase in investment-closure/ post closure trust accounts	-	(25,082)	(25,082)
Net Cash Provided (Used) by Investment Activities	4,819	(18,466)	(13,647)
Net Increase (Decrease) in Cash	77,897	(2,692)	75,205
Cash at Beginning of Year	133,761	159,103	292,864
Cash at End of Year	<u>\$ 211,658</u>	<u>\$ 156,411</u>	<u>\$ 368,069</u>

CITY OF LOUISVILLE, MISSISSIPPI
SCHEDULE RECONCILING ORIGINAL AD VALOREM TAX ROLLS
TO FUND COLLECTIONS
FOR THE YEAR ENDED SEPTEMBER 30,2003

	Taxable Assessed Values	Millage	Tax
Adjusted Assessed Valuation			
City:			
Realty	22,341,482	13.30	297,142
Personal - other than auto	13,689,130	13.30	182,065
Public utilities	3,376,998	13.30	44,914
Personal - Auto (remitted by county	7,029,324	13.30	93,490
Total	46,436,934		617,611
Less: Homestead Exemption Allowed		(51,087)	
Tax Collector's Commissions		(4,666)	(55,753)
Add: Actual Homestead Reimbursement			41,392
Total to be Accounted For			603,250

	Taxes	Reimbursement	
Credit:			
Collections Allocated to:			
Municipal General Funds	502,042	38,280	
Memorial park and Cemetary Fund	42,993	3,112	
	-		
Total	545,035	41,392	586,427

Balance Represented by Unpaid Property Taxes		16,823
Total Accounted For		603,250

The distribution of taxes to funds was found to be in accordance with prescribed tax levies, and uncollected taxes were determined to be properly handled.

Ad Valorem Tax Collections were found to be within the limitation of Section 27-39-320 to 27-39-323 Mississippi Code Ann. (1972) , as follows

Actual Collections			
Base Year 2002	556,926	Year 2003	603,250
10% Increase	55,693	Under(Over) Limitations	9,369
Total	612,619		612,619

CITY OF LOUISVILLE, MISSISSIPPI
SCHEDULE OF SURETY BONDS FOR ELECTED OFFICIALS
SEPTEMBER 30, 2003

The City of Louisville, Mississippi, covers certain employees under a position surety bond. The following list contains various town officials who are covered by a surety bond.

<u>Name</u>	<u>Title</u>	<u>Coverages</u>
Louis Taunton	Mayor	\$ 50,000
Judy McLeod	Alderwoman	\$ 30,000
Eugene Crosby	Alderman	\$ 30,000
Bessie Love	Alderwoman	\$ 30,000
Giles K. Ward	Alderman	\$ 30,000
Daniel E. Yarbrough	Alderman	\$ 30,000
Babs Fulton	City Clerk	\$ 50,000
Angela Johnson	Deputy City Clerk	\$ 10,000
Karen Davis	Deputy City Clerk	\$ 10,000
Lola Jenkins	Deputy City Clerk	\$ 10,000
Lawrence Estes	Police Chief	\$ 50,000
Sixteen People	Deputy Police Officers	\$ 25,000 Blanket Bond Coverage

CITY OF LOUISVILLE, MISSISSIPPI
SCHEDULE OF BONDED INDEBTEDNESS
SEPTEMBER 30, 2003

<u>Date of Issue</u>		<u>Issue</u>						
6/01/70		City of Louisville, Mississippi, Waterworks and Sewerage Revenue Bonds – Subordinate to Prior Issues						
<u>Int. Rate</u>	<u>Maturity Date</u>	<u>Maturity Each Year</u>		<u>Outstanding 10-01-02</u>	<u>Bonds Redeemed</u>	<u>Outstanding 09-30-03</u>	<u>Next – Period Bonds Interest</u>	
5	1/1/03	21,000	\$	21,000	21,000	-	-	-
5	1/1/04	22,000		22,000	-	22,000	22,000	1,100
5	1/1/05	47,000		47,000	-	47,000	-	2,350
Total			\$	90,000	\$ 21,000	\$ 69,000	\$ 22,000	\$ 3,450

The bonds are issued in the name of the City of Louisville, Mississippi, for the Louisville Water System, a component unit of the City of Louisville, Mississippi, due to legal restrictions which preclude the entity from issuing bonded indebtedness.

CITY OF LOUISVILLE, MISSISSIPPI

SPECIAL REPORTS



Watkins, Ward and Stafford
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
Boyd M. Edwards, CPA
Paul A. Ray, CPA
S. Keith Winfield, CPA
William B. Stagg, CPA
Aubrey R. Holder, CPA
David M. Howell, CPA

Michael W. McCully, CPA
Mort Stroud, CPA
Gary C. Hamilton, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

June 8, 2004

Honorable Mayor and Board of Aldermen
City of Louisville, Mississippi

We have audited the general-purpose financial statements of the City of Louisville, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated June 8, 2004. We did not audit the financial statements of the three discretely presented component units; the Housing Authority of the City of Louisville, the Louisville Water System, and the Louisville Electric System, which represents 100% and 100% respectively, of the assets and revenues of the governmental and proprietary component units columns. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, in so far as it relates to the amounts included for the aforementioned component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Louisville, Mississippi's general-purpose financial statements are free of material misstatement, we and other auditors performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests and the reports of other auditors disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Louisville, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general government financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management and federal awarding agencies and pass – through entities and is not intended to be and should not be used by anyone other than these specified parties.

Louisville, Mississippi
June 8, 2004



Watkins, Ward and Stafford
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
Boyd M. Edwards, CPA
Paul A. Ray, CPA
S. Keith Winfield, CPA
William B. Stagg, CPA
Aubrey R. Holder, CPA
David M. Howell, CPA

Michael W. McCully, CPA
Mort Stroud, CPA
Gary C. Hamilton, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

June 8, 2004

Honorable Mayor and Board of Alderman
City of Louisville, Mississippi

Compliance

We have audited the compliance of the City of Louisville, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2003. The City of Louisville, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Louisville, Mississippi's management. Our responsibility is to express an opinion on the City of Louisville, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Louisville, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Louisville, Mississippi's compliance with those requirements.

In our opinion, the City of Louisville, Mississippi, complied in all material respects with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

The management of the City of Louisville, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Louisville, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Louisville, Mississippi
June 8, 2004



Watkins, Ward and Stafford
Professional Limited Liability Company
Certified Public Accountants

James L. Stafford, CPA
Harry W. Stevens, CPA
Boyd M. Edwards, CPA
Paul A. Ray, CPA
S. Keith Winfield, CPA
William B. Stagg, CPA
Aubrey R. Holder, CPA
David M. Howell, CPA

Michael W. McCully, CPA
Mort Stroud, CPA
Gary C. Hamilton, CPA
R. Steve Sinclair, CPA
Michael L. Pierce, CPA
Marsha L. McDonald, CPA
Wanda S. Holley, CPA
Robin Y. McCormick, CPA/PFS
J. Randy Scrivner, CPA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE
LAWS AND REGULATIONS**

June 8, 2004

Honorable Mayor and Board of Alderman
City of Louisville, Mississippi

We have audited the general-purpose financial statements of the City of Louisville, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated June 8, 2004. We did not audit the financial statements of the three discretely presented component units; the Housing Authority of the City of Louisville, the Louisville Water System, and the Louisville Electric System, which represents 100% and 100% respectively, of the assets and revenues of the governmental and proprietary component units columns. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, in so far as it relates to the amounts included for the aforementioned component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the city's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the general-purpose financial statements disclosed no instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than these specified parties.

Louisville, Mississippi
June 8, 2004

CITY OF LOUISVILLE, MISSISSIPPI

SCHEDULE OF FINDINGS

CITY OF LOUISVILLE, MISSISSIPPI
Schedule of Findings
For the Year Ended September 30, 2003

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the general purpose financial statements:
Unqualified
2. Material noncompliance relating to the general purpose financial statements?
No
3. Internal control over financial reporting:
 - a. Material weakness(es) identified? No
 - b. Reportable condition(s) identified that are not considered to be material weaknesses? No

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs:
Unqualified
5. Internal control over major programs:
 - a. Material weakness(es) identified? No
 - b. Reportable condition(s) identified that are not considered to be material weaknesses? No
6. Any audit finding(s) reported as required by Section ____ .510(a) of Circular A-133?
No
7. Federal programs identified as major programs:
 - a. Community Development Block Grant/State's Program: CFDA#14.228
8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? Yes
10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? No

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings and questioned costs related to the financial statement.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.